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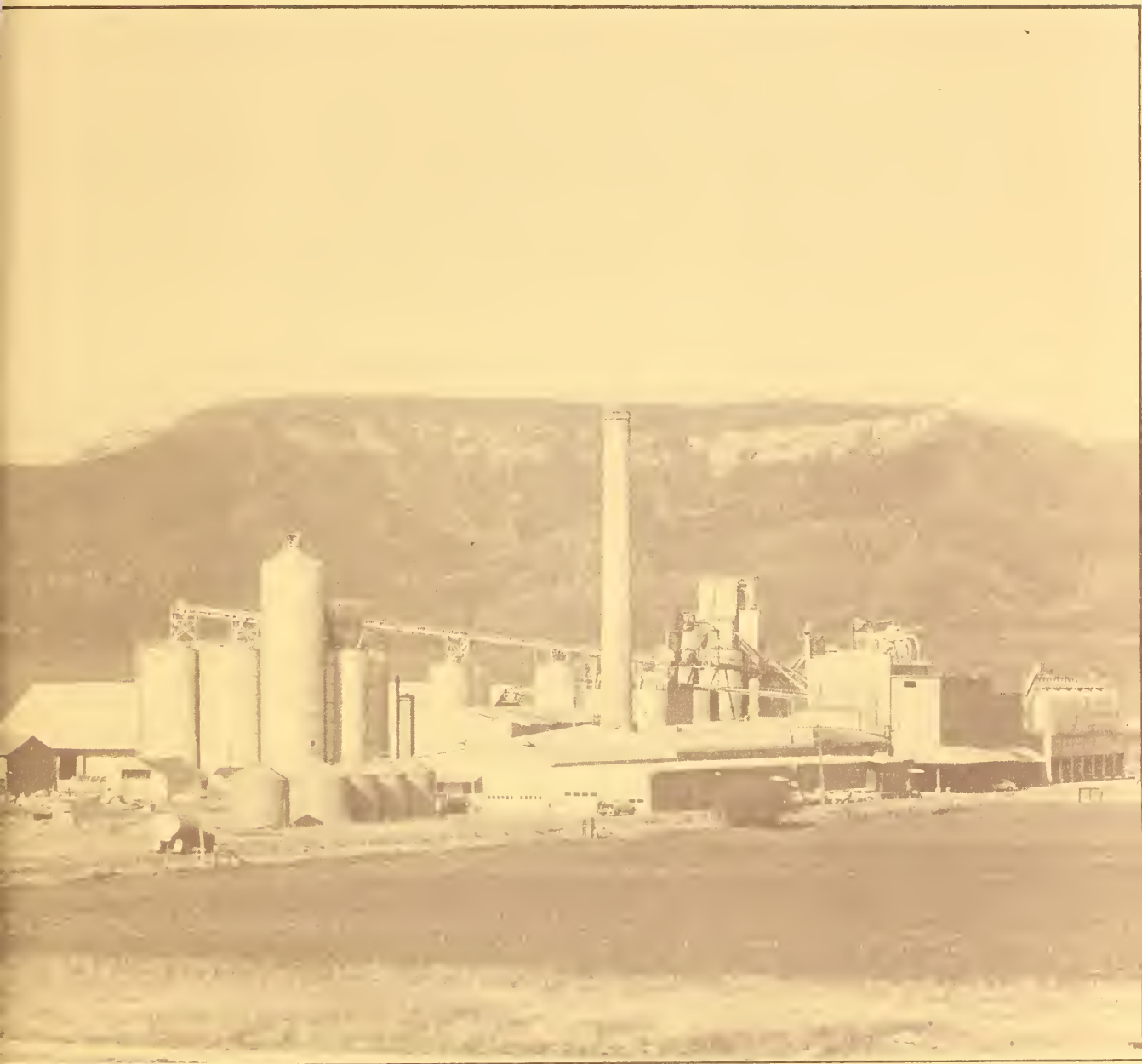
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Moroni Feed Company

Impact of a Cooperative
on Sanpete County, Utah



PREFACE

This study is one of several made under research agreements with funds authorized by Congress in 1977-78 to "study trends and effectiveness of the cooperative movement and assess the need for accelerating the promotion and development of cooperatives."

This study portrays how a soundly organized, financed, and operated cooperative became a dominant force in helping develop a successful turkey industry in central Utah—in a county where the closing of a sugar beet processing plant caused farmers to look for production alternatives.

Analysis was directed to the problems existing in the community prior to organization of the cooperative, organizational efforts employed, operational procedures developed, and results and economic benefits obtained for producers and the community in general. Improvements in farm production and marketing practices were examined, as were development of markets, improvements in plant operation efficiencies, development of leadership, types of direct assistance to farmers, and overall economic and social benefits to the community as a direct result of organized, forceful cooperative activity.

It is hoped that this report will prove valuable to farmers and others in evaluating the economic role that cooperatives can play in improving conditions and development in other rural areas, especially those with relatively limited alternative opportunities.

Acknowledgments

The author wishes to acknowledge the close cooperation and assistance of officers, board members, and members of the Moroni Feed Co., in conducting this study. The help of Lamont Blackham, present manager, Ralph Blackham, former manager, Newton Donaldson, comptroller, and Eldon Westenskow, secretary is especially appreciated. These officers made association records available and facilitated interviews with other board members and producers. They also carefully reviewed the first draft and contributed many valuable suggestions.

Appreciation is also expressed to J. Warren Mather, Director, Cooperative Management Division, Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Washington, D.C. who proposed the study and reviewed the manuscript.



Aerial view of processing plant and cold storage

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HIGHLIGHTS

The Moroni Feed Co., (a farmers' cooperative) was organized to fill a definite economic need for farmers in Sanpete County, Utah. In the early 1930's during the Depression, the local sugar beet factory had ceased operations, several banks in Sanpete Valley had failed, and farmers were looking for new sources of income to replace the production of sugar beets.

Several enterprising farmers experimented successfully with turkey production, finding in it a promising potential for building a new industry in the area that would offer employment and income, not only to farmers, but to other citizens of the community as well.

Early organizational efforts were spearheaded by educational meetings to explore ways and means of expanding the turkey industry in a sound and profitable manner. After much consideration, the cooperative was incorporated January 20, 1938.

Supported by producers and the community in general, the cooperative continued to expand until new feed plant facilities, turkey processing equipment, and improved marketing operations were needed. These new facilities were financed primarily with membership capital retained from net savings, using the revolving fund method.

The revolving fund financing practiced by this cooperative combines three basic principles: (1) Continued investment by members and patrons in the capital structure of the cooperative according to use; (2) continued accumulation of capital from year to year by the cooperative; and (3) continued retirement of members' and patrons' oldest outstanding capital each year.

This system has worked well for the Moroni Feed Co. The fact that the revolving fund is on a 5-year basis, with the oldest patronage refunds retired each year accompanied by the retention of some capital, keeps the membership reasonably well

satisfied and allows the cooperative to largely finance its own business. This has been the case except for two loans from the Sacramento Bank for Cooperatives for major building construction.

Direction and policymaking of the association are handled by a nonsalaried five-member board of directors. Operations are conducted by salaried managers of the association's four major departments, coordinated and supervised by a general manager.

The fact that all major elements of the turkey industry are vertically integrated under one management in this cooperative is perhaps the most important reason for its success today. Vertical integration has been a policy from the beginning. The association moved slowly and soundly into each operation as it felt the need and developed the necessary capital and management know-how to do an effective job.

The cooperative coordinates its own breeding farms, turkey hatchery, feed purchasing and mixing, turkey processing, cold storage, and turkey marketing services, along with disease control laboratories, efficient field service to members, and service station and farm supply operations. This coordination provides many opportunities for savings and efficiencies not found in nonintegrated operations.

The production and orderly processing and marketing of turkeys are handled on a cooperative basis all the way from the egg to the retail outlet. This allows producers to participate in the net margins accrued at each important profit or margin center in the total operations. Producers receive the patronage refunds earned from the total integrated operation in proportion to volume of business done by each patron in each department.

The management found it necessary to develop different types of pooling operations to adequately handle the wide fluctuations in turkey prices as well

as different sizes and types of turkeys to meet trade specifications. Marketing personnel review possibilities and make specific recommendations for the number and types of pools needed. After review by the board, these recommendations are presented to all members for approval. Then production plans are developed accordingly. The pooling operations have been a very important factor in the growth and success of this integrated cooperative. Without this approach to the complicated problems of seasonal turkey marketing, it is doubtful that the cooperative would be operating effectively today.

The development of the centralized marketing program now conducted through Norbest Turkey Growers, a national cooperative sales agency, has had a stabilizing effect on market prices. Also, large cold storage facilities have made it possible to merchandise turkeys over a longer period rather than being forced to sell when processed.

The cooperative has been an important leader in encouraging improved farm production practices in all aspects of the turkey industry. These include new breeds and strains of turkeys, improved feeds and feeding practices, better buildings and equipment designed to do a more effective job in turkey production, and better methods of maintaining quality of products through the market channels.

The feed delivery system used by this cooperative is unique to the turkey industry in the United States. Each farmer has his own bulk feed truck or arranges for one to come to the feed plant where his feed needs are obtained in bulk from the central cooperative feed plant. This system eliminates construction or ownership of feed bins by individual farmers as well as the need for the cooperative to own and schedule feed trucks to members' farms. Labor cost and maintenance are thus reduced and the grower makes his own choice whenever he wants feed.

The cooperative has developed its own financing to assist young growers and others get started in the turkey business. Known as the "70-30" program, this system, coupled with management counseling service, is one of the cooperative's great strengths.

The sound credit policy used by the cooperative has been very successful. During its 40-year operation, not more than \$25,000 has been written off as bad debts.

An important factor in the success of the cooperative has been the diagnostic laboratory with trained poultry veterinarians operating it. They

provide expert advice and field service to members in identifying and controlling disease.

The whole spirit and economic health of the Sanpete community and surrounding trade area has greatly benefited from the successful operation of the Moroni Feed Co.

Patronage refunds distributed to producers in the area have totaled almost \$30 million since organization, and employment in recent years has been around 1,100 (full-time and seasonal) with an annual payroll of about \$3.3 million.

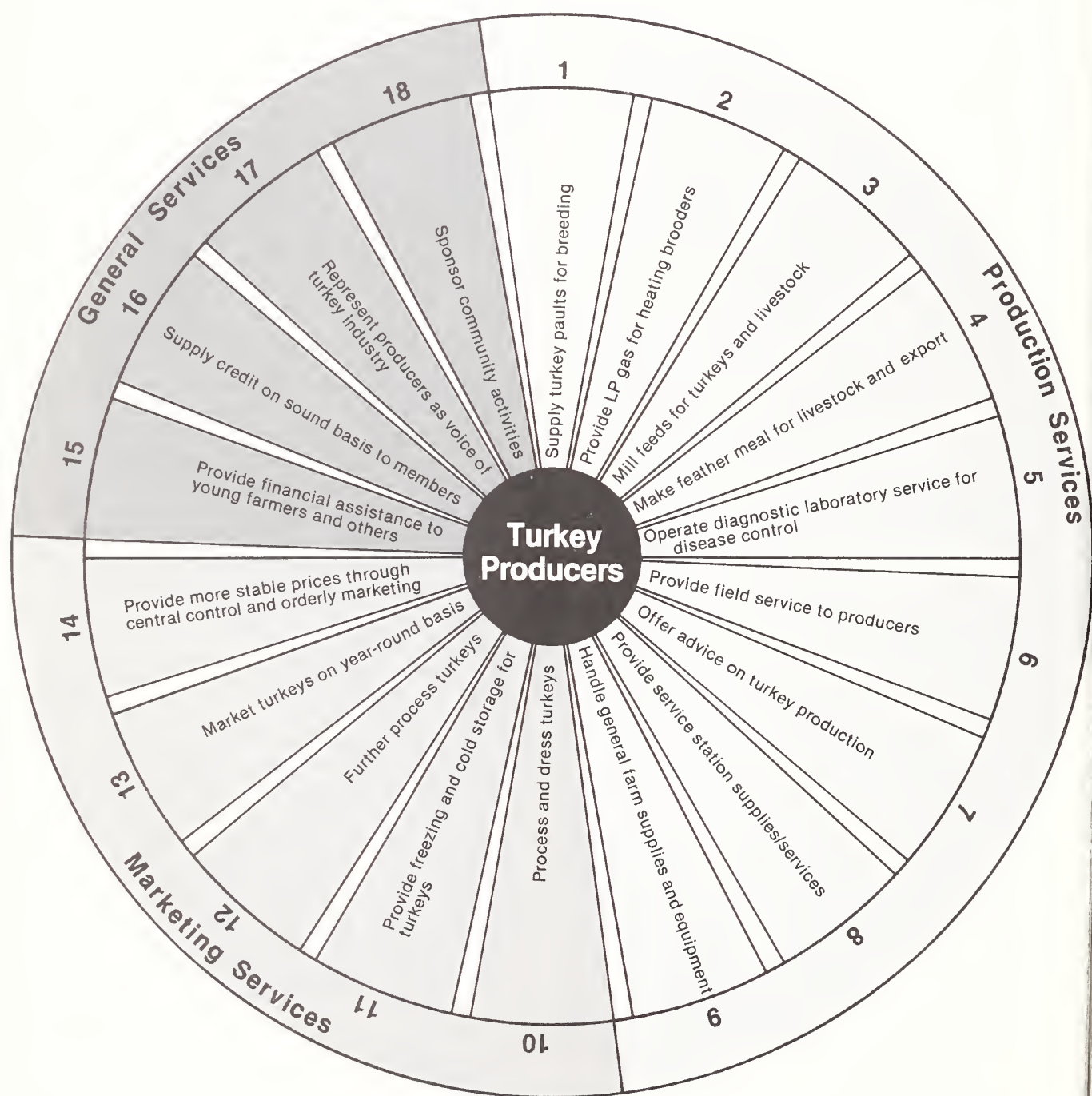
By providing employment to many local citizens, adding to farm income, and supporting businesses, the cooperative has set off a chain of healthy economic activities that reach throughout the county. More farmers, employees, and businessmen enjoy the multiplier effect as people spend more money for local goods and services, pay taxes, and otherwise contribute financially to their hometown economies. Through this vertically integrated cooperative, the family farmers in this area can compete with the giant enterprises growing out of the vertical integration of agriculture.

The cooperative has sponsored or supported many community projects such as Little League baseball, 4-H and Future Farmers of America projects, public speaking, and other civic activities such as hospital funds and scholarship funds for youth. It cooperates in sponsoring an Annual Short Course for turkey growers in the western area, held at Snow Junior College at Ephraim, Utah. It also sponsors field trips for growers and youth to various parts of the State and Nation to observe first-hand activities and projects of benefit to turkey growers.

The development of this cooperative has provided many opportunities for leadership development among the local people. Its operations have strengthened democratic action and made it possible for individual initiative to thrive in an atmosphere of community responsibility. The association and its leaders have demonstrated that by working together, farmers can develop a new agricultural enterprise and build a stronger rural economy that provides jobs, increased income, and better economic and social conditions for an entire county.

The success of the Moroni Feed Co. can be achieved by farmers and communities in other areas of the country if sound principles, policies, and practices of cooperation are followed.

Basic Services Moroni Feed Co. Supplies to Turkey Producers, 1978



Moroni Feed Company

Impact of a Cooperative on Sanpete County, Utah

G. Alvin Carpenter¹

The Moroni Feed Co., a farmers' cooperative, has, as the expression goes, "got it all together."

It is one of the few fully integrated turkey producing and marketing cooperatives in America. Its organization embraces a turkey breeding farm, a turkey hatchery, feed mill, and processing, packaging, and freezing plant. The cooperative also has a financing department, a hardware and fertilizer department, a service station and farm equipment department, and a disease diagnostic laboratory.

This completely integrated organization has made it possible for Sanpete County turkey growers to develop and maintain a profitable business over the past 40 years even though they cope with higher production costs, higher freight rates, and lower turkey prices than in most other parts of the country. The efficient operation of their cooperative enables the small grower members to compete with large, independent, integrated producers, and makes it possible for the Sanpete area to compete with areas where feeds are cheaper.

Many producers and local businessmen in Sanpete valley say, "The Moroni Feed Co., is the No. 1 economic force in this sparsely populated area."

How did this association get started? What factors have contributed to its growth and success? Can other producers in other areas of the country learn from the experiences of this dedicated group?

The purpose of this publication is to review the organizational efforts, the operational procedures, and the significant contributions of this farm cooperative in promoting the economic welfare of farmers and their community.

DESCRIPTION OF THE SANPETE AREA

Moroni, the headquarters of the cooperative, is a city of approximately 1,000 people located in the northern part of Sanpete County, Utah. Sanpete valley is an agricultural pocket in central Utah's rugged mountains, about 120 miles south of Salt Lake City as the crow flies. This valley is great country for raising turkeys, sheep, and cattle, but its hardpan soils yield grudgingly unless amply irrigated. The growing season is relatively short, limiting the crops that can be raised to small grains, hay, and range grasses. Some sugar beets used to be grown, but tough competition and relatively high cost operations forced the closing of the Moroni plant of the Utah-Idaho Sugar Co., in the early 1930's. No sugar beets are grown in the area now.

The total population of Sanpete County in 1970 was 10,976,² all classed as rural. There is relatively little industrial development in the county; consequently, the urban population has grown only slightly.

The 1974 census reported 103 turkey farms in Utah with sales of \$2,500 and over. Eighty-seven of these farms were in Sanpete County with nearly all of them members of the Moroni Feed Co. This concentration of the State's turkey production gives an idea of the importance of this cooperative to the whole turkey industry of the State. Sanpete County is rated among the top 10 counties of the United States in turkey production.³

In 1930, prior to the organization of the Moroni Feed Co., it was reported that 1,200 turkeys were grown in the area.⁴ By 1940, numbers had increased

¹Dr. Carpenter is currently professor emeritus, Brigham Young University, Provo, Utah, and formerly extension economist, University of California and Utah State University.

²U.S. Census, April 1, 1970.

³U.S. Census, 1974.

⁴Centennial History of Sanpete County, 1947, p. 248.

to 125,000 and by 1960, to 2,800,000. A peak of 4,061,000 was reached in 1973 and since then the figure has averaged about 3,500,000 annually.⁵

This expansion of the turkey industry replaced the sugar beet industry as a major means of livelihood for people in the county. The Moroni Feed Co., including its four integrated departments, now provides the largest single payroll in the county, hiring over 600 people at the peak of processing operations.

EARLY DEVELOPMENT OF THE COOPERATIVE⁶

The cooperative was organized officially in the spring of 1937. It had its beginnings, however, with experimental production and processing of turkeys in the 1920's.

Among the first producers was Will L. Irons who raised farm flocks by hatching home raised eggs under turkey hens. In 1927, Mr. Irons interested Marion Jolley in raising a commercial-sized flock of 500 turkeys. The project was financially successful that year and Mr. Jolley encouraged others to enter the business. At his urging, in 1930 Dr. D. L. Olson and Perry Olson invested in a flock of 1,000 turkeys. In 1932, several other farmers began to grow turkeys.⁷

Although the increasing interest in turkeys was stimulated by the success of Mr. Irons, Mr. Jolley, and their early associates, the industry received impetus from the fact that the economy was in the "Great Depression" and people were very concerned about a livelihood. It is hard to imagine more trying times than those that existed in Sanpete County at this period. Prior to 1930, the Peoples Sugar Co., the area's chief source of income for raising and processing sugar beets, discontinued operations. In 1931, the Moroni Bank closed its doors, a victim of the depression. Other banks in Sanpete County closed. It became necessary for many young people to leave the county to seek employment elsewhere.

It is no wonder that interest developed rapidly in turkey raising as a means of trying to regain lost income. The number of turkeys produced in the

area increased gradually until by 1935 over 35,000 were raised.

Processing methods in those early days (prior to construction of processing plants) were very primitive compared to today's system. The individual grower hired as many people as possible to assist in the process. Some used scaffolds, laying poles across the top, and live turkeys were hung from these poles by ropes or twine tied to their legs. Various crude methods were used to kill them. They were then picked or defeathered in the dry state. After the pinners were through, the bird's head and feet were washed in tubs of water and then placed to cool in whatever accommodations were available, including barns, cellars, etc. Eventually they were graded, crated, and sold to buyers who came to the farms to make their bids.

First Processing Plant

Through the persuasion of a group of public-spirited citizens from the Moroni Lions Club, including Mayor H. E. Dicc, Earnest R. Anderson, Cleon Anderson, Elmo Irons, Rodney Anderson, and Eldon Westenskow, the Utah Poultry Producers Cooperative with headquarters in Salt Lake City, was persuaded to build the first modern turkey processing plant in Utah.

This plant was constructed in 1935 on the outskirts of Moroni. It provided modern, controlled conditions for killing, dressing, cooling, and shipping turkeys, replacing the previous haphazard system. This plant was operated under direction of the Utah Poultry Producers Association from 1935 until 1940. During this period the number of turkeys in the Moroni area increased from 35,000 to over 125,000. Ralph Blackham and Si Bell, operating under direction of Charles Rudd, were the first managers of this plant.

Importance of Early Educational Meetings

As the turkey industry began to expand, so did the problems associated with it, such as disease, feeds, equipment, and husbandry practices. The early growers knew there must be a better way of doing things.

Under the leadership of Eldon Westenskow, the vocational agricultural teacher, and others at Moroni High School (including its principal, Spafford Sumsion), adult educational meetings were organized to consider such problems as turkey

⁵Utah Agricultural Statistics, State Department of Agriculture, 1977.

⁶Based on personal interviews with early leaders.

⁷Among them were Eldon Westenskow, Howard Blackham, Ralph Blackham, Rex Kellett, Christensen Brothers, and Merrit Estes.

nutrition, feed rations, disease control, brooder construction, and other subjects related to the industry. Leading experts from Utah State University and industry leaders from Utah and other parts of the Nation were invited to these meetings to lecture and discuss ways of improving production and marketing of turkeys. These meetings greatly assisted the early growers in solving some of their problems and adopting husbandry practices that improved the industry.

The Moroni Feed Co. has continued to work very closely with the Utah Agricultural Experiment Station and Extension Service personnel and industry representatives ever since those early days. Names of all individuals cannot be included here, but some of the important ones were Byron Alder, head of Utah State Agricultural College's Poultry Department, Carl Frischknecht and Carroll Draper, Extension poultrymen, and Merthyr Miner, veterinarian.

Association Incorporated*

In the spring of 1937, a group of foresighted growers sensed the need for more satisfactory sources of feed and felt that by cooperating together, they could reduce feed costs and produce better rations for feeding turkeys.

One of the basic reasons which led to the formation of the feed cooperative was the discrimination the producers felt they were receiving in the handling of poult and feed by other commercial firms. To get financing from some sources, especially the Gunnison Valley Bank, growers were charged a commission on poult received, a commission on feed purchased, interest payments on loans, and a commission again when the mature turkeys were sold. Resenting what many felt were prohibitive charges, producers became interested in doing something about it through cooperation.

The original 11 men that started the association were Ray Seely, George Faux, Marion Jolley, W. L. Morley, Leo Morley, D. L. Olsen, Joseph H. Prestwich, John M. Olson, Wilford B. Olson, William Prestwich, and Jake Anderson.

These men contacted Bent Monson, a local miller, and worked out arrangements for the

grinding and mixing of turkey mash on a cooperative basis. Each subscribed 5 cents per bird as beginning capital. This program proved so successful that larger facilities for grinding, mixing, and storage of feed soon became necessary.

The association was officially incorporated under the cooperative statutes of Utah on January 20, 1938. The following were named as first officers and directors: Leo Morley, president; Ray Seely, vice president; Marion Jolley, secretary-treasurer. Several other turkey growers who were not among the founders signed the first articles of incorporation.⁹

W. L. Morley became purchasing agent for the group to supervise the purchase and handling of feeds. He served in that capacity for 10 years.

New Feed Plant Developed

As the association grew and greater capacity for feeds was needed, the group decided to purchase the abandoned plant of the Utah-Idaho Sugar Co., in Moroni. This plant, with warehouse intact, was purchased in 1938 for \$5,000, including 7.18 acres of land. This proved to be an excellent move because it provided adequate facilities for the early beginnings and space for future expansion.

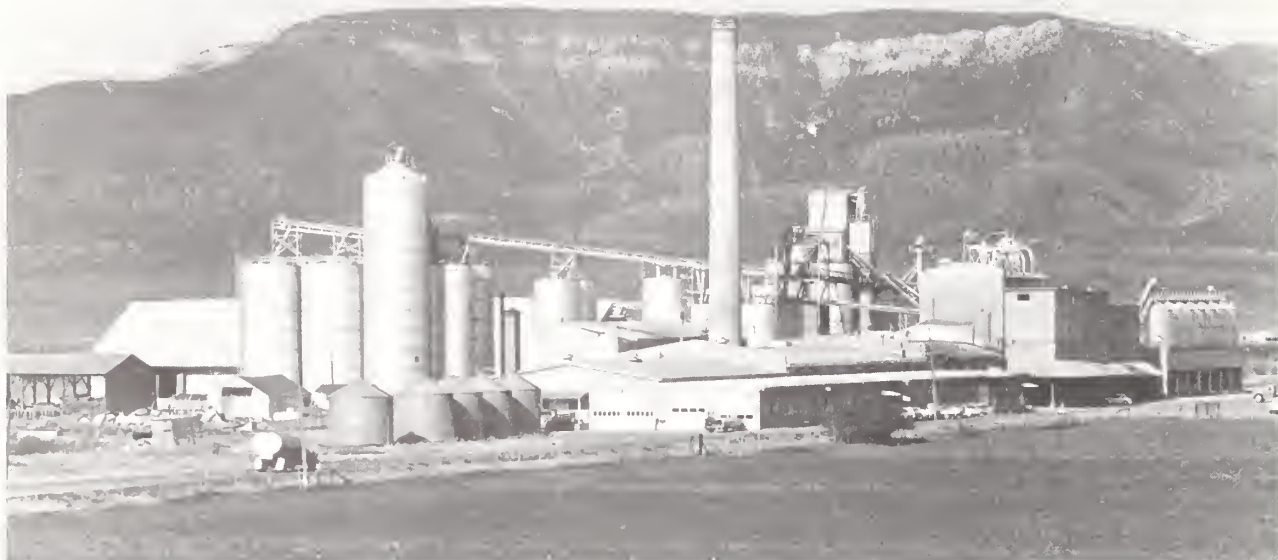
The new association did some remodeling to accommodate feed grinders, mixers, and other necessary equipment and it was soon ready for handling a greatly enlarged business. Since feed was the first item handled by the cooperative, the decision was made to name the new association the Moroni Feed Co. This name has continued even though the operations have expanded to include several other services.

The new feed mill enabled the young cooperative to grind, mix, and blend turkey feeds to meet the needs of the producer members at much lower cost per unit. Ralph Blackham started as manager.

As time went on and volume expanded, the cooperative switched from sack handling to bulk handling of feed. This resulted partially from scarcity of sacks as well as the recognition of the more efficient method of feed handling. Most of the mixed feeds as well as the grain now goes out in bulk with growers picking it up at the mill. Farmers

*Based on early reports in files of the association and "History of Sanpete County, Utah," 1947. Published by Daughters of Utah Pioneers. Also personal interviews with Ray Seely, Eldon Westenskow, and others.

⁹These were Lewis L. Blackham, Eldon Westenskow, Mozart Larson, Roy Story, Verdis Blackham, and Bent Monson, all of Moroni; and Evan M. Johnson, of Manti, and Ray S. Tanner of Fairview. Each subscribed for one share of common stock.



use locally built 8- to 9-ton truck tanks mounted on single-axle trucks. Feed is augered out of the trucks into large self-feeders on the turkey farms.

The present feed mill has a capacity of nearly 600 tons per day. The volume handled in 1977 was over 97,000 tons.

Table 1 shows the growth in volume of feed mixed and sold to patrons and the value of sales, 1949-1977. One of the factors responsible for efficient feed operation is the fact that 85 percent of the members are concentrated within 15 miles of the feed mill and processing plant.

As volume of business began to grow, the association sought and received sound advice from many individuals and agencies including W. B. Robins, manager of Utah Cooperative Association, and Herbert Beyer, general manager, and J. R. Garrett, accountant and assistant general manager for Norbest Turkey Growers, both headquartered in Salt Lake City. Advice and assistance in financing were given by officers of the Bank of Ephraim, Sanpete Valley Bank at Mt. Pleasant, Commercial Bank of Nephi, and the Gunnison Valley Bank, Gunnison. All were interested in aiding the growing industry.

Staunch support was also given by county Extension agents, representatives from commercial companies, and the State Department of Agriculture.

Feed milling and other facilities used by members of Moroni Feed Co. Capacity of mill is 600 tons a day.

Member loads his bulk feed truck.



Table 1 —Volume of feed mixed and sold to patrons by Moroni Feed Co. - 1949-1977

Year	Quantity sold	Value of sales
	<i>Tons</i>	<i>Dollars</i>
1949	13,443	1,072,599
1950	17,945	1,118,559
1951	15,985	1,668,739
1952	15,553	1,626,499
1953	13,516	1,291,936
1954	18,308	1,712,888
1955	23,665	1,707,180
1956	32,671	2,221,865
1957	37,418	2,139,540
1958	41,317	2,266,952
1959	42,526	2,520,832
1960	54,222	2,547,609
1961	55,238	3,064,692
1962	60,148	3,188,927
1963	64,279	3,665,270
1964	67,007	3,973,002
1965	78,520	4,378,524
1966	87,800	5,143,184
1967	83,470	5,456,423
1968	80,622	5,823,095
1969	79,487	6,510,286
1970	94,761	8,490,258
1971	99,729	8,715,410
1972	94,562	8,312,204
1973	93,895	14,549,657
1974	74,798	12,478,446
1975	81,966	12,575,199
1976	92,350	13,334,117
1977	97,157	14,668,269

Source: Official records of Moroni Feed Co.

The shop of the vocational department of Moroni High School, directed by Laurence Kelson, furnished facilities and supervised construction of thousands of feed troughs, screens, and other equipment for brooding and feeding turkeys. In fact, as the industry began to expand, people in the community and the whole county became interested and encouraged its operations.

Much credit must be given to those early organizers who had the vision and foresight, backed up by long hours of voluntary service to lay the foundation for what is today a very successful cooperatively integrated operation.

EARLY BEGINNINGS OF VERTICAL INTEGRATION

“Integration” is a broad term used to describe several kinds of coordination and consolidation in both industry and agriculture. Integration is simply combining smaller units or more processes under one general management. “Vertical integration” means the control of two or more successive stages of production, processing, marketing, and distribution under a single management or decisionmaking body. Expressed differently, it is a method of organizing related economic functions and services to increase efficiency and maximize returns to the integrator.

This economic concept and method of operation has long been used in industrial circles but only in more recent years has it been widely applied in agriculture. A cooperative that vertically integrates its related functions and services has several advantages over nonintegrated operations. This fact will be substantiated as the story of the Moroni Feed Co. unfolds.

Service Station Started in 1939

One of the first steps taken toward integration in the Moroni Feed Co., was to establish a service station to enable members to purchase gasoline, oil, and automotive supplies at lower prices. This station began operations in May 1939. Prior to that time, farmers had been paying from 4 to 5 cents a gallon more for gasoline in the Moroni area than in Nephi, Utah, 25 miles away. They felt the need to combat this price disadvantage.

Funds for starting the new venture were raised through assessments made on prospective members. These initial assessments were \$15 per passenger car and \$30 per truck. It took a little time to get members to patronize *their own* station and shift their loyalty away from other firms. During the first fiscal year of operation, the station grossed \$38,000. The first manager of the station was Roy Moss, who served as manager until his death in 1976.

The fledgling station, through the parent organization (Moroni Feed Co.) affiliated with Utah Cooperative Association, a wholesale cooperative in Salt Lake City, which supplies the petroleum products and other items distributed to patrons.

The station handled mainly gas and oil for the first year or so. Then, under Mr. Moss' management, it began to handle tires, auto parts, lubrication, and other services. By 1950, the gross business had grown to \$85,000, requiring, before long, new land and buildings. It expanded into handling farm machinery, L.P. gas used in turkey brooders, and other related supplies. The cooperative became an agency for Ford Tractors and New Holland Farm Machinery. It also developed a service department to service and repair cars and trucks of members as well as the growing number of feed and poultry trucks owned by association members.

The patronage of the service station increased greatly not only from members but also nonmembers. The increasing volume from nonmembers was one reason the association decided not to claim an exempt status for tax purposes.

The steady growth of the service station operations may be observed in table 2.

Turkey Processing Plant

In 1940, the Moroni Feed Co. purchased the processing plant that had been operated by Utah Poultry Producers Cooperative since 1935. This was the second major step toward integration. The board designated the responsibility for its operation to Eldon Westenskow. Under his early direction, Ralph Blackham, Frank Bruno, and Lamont Blackham worked as active plant managers. Clifford Blackham was named as the first official Government grader.

As the volume of turkeys increased in the area, additions and renovations were made to the processing plant. In 1951, a new processing plant was constructed which now includes freezing and cold storage facilities as well as the most modern processing equipment for handling birds quickly and efficiently. This modern plant has about as large an hourly capacity of any plant in the country. It can process about 25,000 hen turkeys or from 12,000 to 16,000 tom turkeys on two live kill lines per 8-hour shift, according to plant manager Dave Sorenson.

One of the most important developments in the new processing plant was the arrangement to chill the processed birds quickly and completely. After various experiments with different chilling processes, the former plant manager, Lamont Blackham, and others went to Salinas, Calif., to observe how lettuce packers and shippers refrigerated their product. They adapted what they learned in California to handle the turkeys. The refrigeration units in the plant now can manufacture up to 200 tons of ice per day and convey it through pipes into the chill room to chill the birds quickly and effectively. Most of this ice transferal used to be conducted by hand. The plant now makes all the ice it needs at one-third the cost of purchasing it outside.

The plant also includes other services such as a cut-up and boning-out department, used when the market will pay more for boneless turkey meat or segmented turkey, like turkey breasts, wings, smoked turkey, turkey franks, and bologna.

The volume of turkeys processed in the plant by years is shown in table 3. It indicates the rapid growth in volume processed, especially in the 1960's after significant improvements were made in processing equipment. New methods and equipment have been added almost annually to improve the efficiency of killing and processing lines. The plant is now equipped to effectively handle a much larger volume.

Another department in the plant is the further processing department which takes portions of meat

Table 2 — Value of sales from service station operations of Moroni Feed Co. - 1939-1977

Year	Value of sales	Year	Value of sales
	<i>Dollars</i>		<i>Dollars</i>
1939	38,039	1959	303,949
1940	NA	1960	213,763
1941	NA	1961	237,812
1942	NA	1962	221,737
1943	NA	1963	261,835
1944	NA	1964	250,231
1945	39,943	1965	292,904
1946	54,490	1966	326,939
1947	62,076	1967	359,156
1948	71,315	1968	384,826
1949	79,924	1969	421,878
1950	86,040	1970	570,132
1951	83,004	1971	523,339
1952	88,004	1972	541,274
1953	85,614	1973	781,116
1954	69,681	1974	871,779
1955	95,650	1975	918,111
1956	149,191	1976	1,092,662
1957	187,601	1977	1,089,033
1958	226,797		

NA - not available.

Source: Official records of Moroni Feed Co.

Table 3 — Volume of turkeys processed by Moroni Feed Co. - 1948-1977

Year	Volume processed	Year	Volume processed
	<i>Pounds</i>		<i>Pounds</i>
1948	¹ 3,798,768	1963	22,301,012
1949	¹ 3,610,124	1964	24,787,966
1950	¹ 5,937,254	1965	28,623,116
1951	¹ 4,429,812	1966	32,956,190
1952	¹ 5,716,682	1967	35,038,573
1953	6,901,522	1968	33,073,157
1954	8,382,298	1969	32,126,587
1955	9,333,043	1970	40,698,643
1956	11,608,742	1971	35,152,915
1957	13,354,158	1972	38,868,265
1958	14,053,366	1973	39,221,974
1959	14,477,890	1974	35,413,546
1960	18,912,041	1975	34,093,630
1961	20,720,110	1976	40,400,100
1962	20,725,150	1977	40,185,221

¹The turkeys processed in years 1948 through 1952 were New York dressed. From then on, they were all eviscerated.



General Manager LaMont Blackhorn checks on slaughter room of turkey processing plant.

Turkeys are coming out of chillers in processing plant.



from the boning operation and uses them to make turkey bologna and turkey frankfurters, etc. Other equipment roasts or smokes whole turkeys. The cooperative ships boneless meat to the Norbest plant at Clinton, Okla. which makes cooked turkey rolls, boneless turkey roasts, turkey ham, pastrami, and salami, among other products.

A very important feature of the processing plant is the sub-zero cold storage warehouses developed in 1967. These cold storage facilities can store up to 20 million pounds of dressed turkey. This gives the cooperative the capability of merchandising turkeys over a period of time rather than having to sell them as they are processed. Turkeys can be held in good condition as long as a year. They can be held for higher prices when the market conditions justify, thus the growers are not wholly at the mercy of widely-fluctuating markets.

The byproducts rendering plant is another important part of the processing operation. This

Advertising turkey rolls and franks—two of the further processed products in the Moroni plant for sale through Norbest Turkey Growers Association, Salt Lake City, Utah.



plant uses blood and feathers to make a feather meal that is sold mostly to the livestock trade and for export. Other viscera are made into a high quality poultry byproduct meal running from 62 to 65 percent protein. This goes back into the cooperative's own feed operations and provides fat and feed supplements that otherwise would be wasted. This is carrying out the principle of vertical integration both forward and backward.

Hatchery and Breeding Farm Operations

Other important and basic phases of the cooperative's integrated operations for the breeding farms and turkey hatchery. Prior to 1950, all of the turkey poults were purchased from hatcheries outside the area, either in California, Oregon, or southern Utah. Experiments in local hatching began in cooperation with Albert Potts, who operated a hatchery in Oregon. A new building was constructed for the hatchery in 1951 and operations began in 1952 with a few incubators. Clifford Blackham was responsible for the development of this department and became its first manager.

Because of the high elevation at Moroni, experiments soon proved that oxygen had to be introduced into the eggs to ensure successful hatching. Much of this experimental work was conducted by Utah State University, the University of Wyoming, and by Swift & Co., in the Denver area.

After about 8 or 9 years of experimentation with Mr. Potts and others, the membership approved buying him out and expanding their hatchery operations. The present hatchery capacity is approximately 850,000 eggs at one time. On a seasonal basis, the cooperative now hatches 2-1/2 to 3 million poults which are delivered to the local members.

To supply the hatchery with hatchings eggs, the cooperative established breeding farms in four locations in southern Utha; one at Washington, one north of St. George, one at Sterling, and one at Centerfield. These breeding farms can usually supply sufficient eggs to take care of membership needs. If they run short of hatching eggs, some arypurchased from California. All of the breeder replacement stock comes from California.

Birds in the breeding flocks are usually selected in October and November. They are chosen for characteristics of early maturity and meat type.

After selection, the birds are blood tested by State licensed testers. This is done to eliminate those birds that might be carrying pullorum disease or have other problems.

The breeder hens are brought into egg production from mid-December to mid-February. Proper use of artificial lighting can cause hens to produce eggs earlier than normal.

As the eggs are laid, they are gathered, cleaned, sanitized, cooled and delivered to the hatchery. They remain in the incubators and hatcheries for approximately 28 days when the hatching of poults takes place. Then the rush begins to get the poults to the producer members who have previously ordered them.

Immediately upon arrival at brooder coops, the poults are placed in heated pens where they are cared for and fed throughout the growing season until they reach market weight. They are then taken to the processing plant for slaughter, quick freezing, and cold storage until sold through the various marketing channels.

The development of the hatchery and the accompanying breeding farms was a giant step in the cooperative's progress. It reduced losses from weather and poor quality poults from distant hatcheries. Considerable savings were realized in transportation, including decreased losses in transit. And the cost of poults to the producer became competitive with other suppliers.

The expansion in the number of turkey poults sold from the hatchery and the value of sales for the period 1958 through 1977 may be noted in table 4.

Diagnostic Laboratory and Disease Control

Another very important step in the success and vertical integration of the cooperative was the establishment of a diagnostic laboratory with trained poultry veterinarians to operate it, and to provide expert advice to members in identifying and controlling diseases. In the early days of the cooperative, members found that unless they could identify and gain early control of turkey diseases, their flocks were threatened with destruction. In the beginning, diseased birds were taken for diagnosis to the veterinary laboratory at Utah State University 200 miles away. Later a regional lab was established by the University at Provo. This proved somewhat more satisfactory. However, with the growth in volume of birds handled by the cooperative, it soon became necessary to establish a diagnostic laboratory at the cooperative headquarters where quick, efficient, and adequate service could be rendered to members.

The first small laboratory was established in 1958, but this was enlarged in 1961 to include all services needed by growers. The lab now includes two veterinarians, diagnostic equipment, and a variety of drugs and medications.



Modern hatchery of the cooperative has capacity of about 850,000 eggs at one time.

Employees inspect turkey eggs in the hatchery.





Specialists check the sex of turkey poults in the hatchery.

Table 4 — Number of turkey poults and value of sales from the cooperative hatchery of Moroni Feed Co. - 1958-1977

Year	Poults sold	Value of sales
	<i>Number</i>	<i>Dollars</i>
1958	567,455	314,000
1959	600,000	313,603
1960	826,426	403,316
1961	1,068,358	636,867
1962	1,128,000	857,487
1963	1,219,500	731,130
1964	1,312,415	742,873
1965	1,364,280	842,695
1966	1,694,647	1,070,145
1967	1,949,000	1,531,831
1968	1,746,209	1,100,731
1969	1,905,209	1,184,983
1970	2,376,767	1,422,732
1971	2,344,925	1,347,500
1972	2,511,668	1,503,073
1973	2,589,609	1,528,644
1974	2,047,237	2,520,965
1975	2,389,647	2,800,692
1976	2,710,531	3,249,576
1977	2,588,856	3,171,897

Source: Official records of the Moroni Feed Co.

Members having disease problems bring their birds to the laboratory for testing and diagnosis. Cultures may be taken by the veterinarians and determinations made much sooner than by the older methods. If medication is needed, members can purchase it immediately from their own cooperative. Veterinarians are also available on call to visit farms of the turkey growers to observe flocks and render advice on flock management and disease control methods.

The diagnostic service cost is absorbed by all the major departments of the cooperative. The laboratory service is valued very highly by all association members. It has contributed greatly to the success of the whole enterprise.

In addition to operating its own laboratory, the association cooperates closely with the Turkey Research Station operated by Utah State University at Snow Junior College located in the same county. The laboratory veterinarians also collaborate closely with the Veterinary Science Department at Utah State University, other laboratories in the State, and with practicing veterinarians.

Veterinarians at the Moroni Feed Co. are recognized for their expertise by their peers and turkey producers throughout the United States. Dr. Royal Bagley has served as president of the

Turkey poults are fed under careful supervision until they reach market weight.



American Association of Avian Pathologists and has given many talks in turkey producing areas of the Nation. He is widely consulted on turkey disease problems as is his associate, Dr. John Ramsay.

NUMBER AND KINDS OF MEMBERS AND NONMEMBERS SERVED

The association does business with approximately 1,600 patrons in Sanpete, Sevier, and Juab counties. A few patrons from other areas sometimes purchase items when passing through. Not all of these patrons are members since from the beginning, it has been the policy of the association to keep its operation localized and as simplified as possible.

Any farmer wishing to become a member applies to the board of directors in writing. Upon approval of the application by the board, the new member buys one share of common (voting) stock for \$1.

Members in good standing are entitled to one vote and the right to purchase supplies and services from all of the association's departments.

Patronage refunds are paid at regular intervals to each patron who has accrued patronage refunds of \$10 or more from doing business with any one of the four departments. The fact that these refunds are revolved regularly on a 5-year revolving fund basis goes a long way toward keeping patrons satisfied and supportive of the association.

Membership in the association has grown from about 20 to 135 members today. About 85 percent of the marketing and feed and other supply business is now done with members.

In addition to regular members, the association does business, as mentioned, with other patrons such as livestock men, dairy producers, sheep men, and other farmers who need feed and other types of farm supplies handled by the association. These patrons have no direct voice in association affairs but with the approval of the board are allowed to do business and receive their patronage refunds on the same basis as members.

Individual growers range in size of operation from 3,000 to 135,000 birds per year but the average is about 40,000. Some members are smaller diversified farmers with other jobs. Some are full-time diversified farmers with crops and livestock in addition to turkeys, while others specialize in turkey production. There are a good number of father and son partnerships. Many of the growers are young and several of them are college graduates.

Most growers produce two broods or more a year in their own brooding houses. They may start birds in January and growing continues into December each year. After brooding, the turkeys are put on range, mostly drylot, and they may be

moved two or three times during the growing period.

After slaughter stops in December, the turkey farms in the area are depopulated and cleaned up and no birds are placed until about January. Hens that are kept for breeders are generally sent to breeder farms outside the immediate area early in the growing year.

Most of the grower members are outstanding producers. Their ability and personal pride make possible the production of a heavier than normal turkey. The heavier market weight with several weeks of additional growth required entails more risk on the part of the grower, but personal pride helps assure success.

The cooperative could change its product emphasis over the long run, but in recent years, it has been producing a considerable volume of this heavy type of turkey for the institutional trade.

Flock average eviscerated weights for the toms run from 20 to 34 pounds and ages are 20 to 28 weeks. The hens average 11 to 15 pounds eviscerated weight. Even with this weight, a good average feed conversion is achieved.

CURRENT MANAGEMENT ORGANIZATION

Direction and policymaking of the association is handled by a nonsalaried five-member board of directors. Operations are conducted by salaried managers of the association's four departments—feed, processing, hatchery, and service station. The cooperative's general manager coordinates and supervises the four department managers.

The directors are elected to 2-year terms at the annual meeting. Their terms are staggered, with two and then three directors elected in alternate years. The directors hire the managers and choose from among themselves a president, vice-president, and secretary, all of whom serve 1-year terms unless reelected.

The board holds regular monthly meetings. In addition, two or three special meetings occur each month. In recent years, an average of 33 board meetings has been held annually with 98 percent attendance of board members.

Department committees within the board include other members of the association. These and other special committees, when needed, study specific

All present and former board members and management personnel, Moroni Feed Co. — 1976.



problems and recommend a course of action to the board, which discusses the matter further and either adopts, amends, or rejects the recommendations.

When a major action is being considered, such as the initiation of a new department or an extensive construction project, the board of directors takes the proposal directly to the members, either at the annual meeting or at special meetings called for that purpose. Usually, the number of such member meetings varies from four to six per year.

The above procedures sponsored by the board encourage a spirit of democracy and participation among the membership. The fact that the association covers a close and contiguous area makes possible such democratic procedures and contributes to better understanding and loyal support by members.

OPERATING RESULTS AND FINANCIAL BENEFITS TO MEMBERS

The Moroni Feed Co., operating as a true cooperative, performs services to its patrons at cost and pays back in patronage refunds any savings above cost of operations. These savings are distributed, not according to ownership in the cooperative but according to the business done by each patron or member. The cooperative does not use per unit capital retains whereby a specified amount per pound is withheld from proceeds and revolved back at a later date.

Patronage Refunds to Producers

Patronage refunds are widely accepted by patrons and others as a measure of cooperative success. A review of table 5 indicates that this cooperative has succeeded in distributing patronage refunds to producers every year by each department of the cooperative since it has been in existence. A portion of the patronage refunds, usually 20 percent, is returned to patrons in cash at the end of each operating year, and a portion is allocated on the books as noncash patronage refunds and paid in a later year.

The association operates on the revolving fund principle whereby members' capital is revolved in full every 5 years. For example, capital retained from patronage refunds on 1972 business is revolved and paid to each patron in 1978. As net operating margins are determined each fiscal year by the cooperative, certificates of equity are issued to each member showing his individual amount of the net margin for that year. Federal law requires payment of income tax on these allocations by patrons receiving them the year they are notified of the allocation.

As the 5-year revolving plan operates, the certificate of equity shows each member the amount being allocated that year, and the total balance of equity each member has in the association. These allocations have come to represent a substantial part of the grower's net profit from his turkey operations; without them, the grower would not have been able to stay in business.

The revolving fund financing practiced by this cooperative combines three basic principles: (1) Continued investment by members and patrons in the capital structure of the cooperative according to use; (2) continued accumulation of capital from year to year by the cooperative in its revolving fund; and (3) continued retirement of members' and patrons' oldest outstanding capital first.

This system has worked well for the Moroni Feed Co. The fact that the revolving fund is working on a 5-year basis and that patronage refunds are coming back to patrons each year keeps the membership fairly well satisfied.

The procedure used is a convenient method of demonstrating and allocating to the members the savings made in each department in direct proportion to each member's business done with that department. It also helps members finance their own cooperative.

The revolving fund method has been the major means of financing expansion in the Moroni Feed Co. Except for major construction of the processing plant, capital requirements have been provided by members from the revolving fund. Only two loans were obtained from the Berkeley (now Sacramento, Calif.) Bank for Cooperatives for major building construction.

By placing responsibility for financing upon the current patrons, the revolving capital plan aids the association in maintaining its legal cooperative status. Voting control is concentrated in the hands of active members.

A review of table 5 shows that the feed department has had the largest volume of business and has contributed most to patronage refunds over the years. It has been followed by the processing department and the hatchery department, with the service station and related services having the smallest volume. Total patronage refunds allocated by all departments have amounted to about \$29,280,-000 over the 40-year period of the cooperative's existence.

This is an excellent record for this relatively small cooperative. It points up that the cooperative has been efficiently operated over the years with the objective of serving members in true cooperative

Table 5 — Patronage refunds allocated to producers by Moroni Feed Co., by departments, 1939-1977

Year	Feed	Processing	Hatchery	Service station	Total
<i>Dollars</i>					
1939	5,978	(¹)	---	734	6,712
1940	8,940	4,621	---	787	14,348
1941	15,276	2,915	---	1,930	20,121
1942	23,055	22,599	---	1,760	47,414
1943	6,191	17,047	---	3,384	26,622
1944	38,837	21,962	---	2,211	63,010
1945	46,467	29,065	---	2,805	78,337
1946	12,592	11,855	---	4,932	29,379
1947	46,745	10,818	---	5,290	62,853
1948	37,506	19,834	---	3,798	61,138
1949	40,018	36,440	---	4,561	81,019
1950	60,172	17,739	5,347	5,143	88,401
1951	146,084	34,650	5,926	5,428	192,088
1952	80,637	95,499	7,917	3,680	187,733
1953	87,837	109,501	7,629	3,841	208,808
1954	89,881	94,236	13,709	1,555	199,381
1955	163,166	87,916	19,612	0	270,694
1956	143,316	127,143	14,162	2,732	287,353
1957	136,214	139,641	16,512	5,396	297,763
1958	187,532	159,607	18,785	10,161	376,085
1959	206,419	179,278	48,451	1,597	435,745
1960	304,553	257,583	94,498	1,592	658,226
1961	225,997	242,510	54,285	2,668	525,460
1962	277,190	273,922	71,494	7,702	630,308
1963	380,004	362,028	43,679	12,093	797,804
1964	406,338	338,351	102,629	10,498	857,816
1965	389,750	411,908	116,248	8,483	926,389
1966	480,580	484,805	185,421	14,945	1,165,751
1967	508,197	635,993	219,996	29,571	1,393,757
1968	432,973	706,676	215,342	28,517	1,383,508
1969	757,284	498,769	219,933	36,384	1,512,370
1970	933,467	902,395	422,683	26,403	2,284,948
1971	907,778	171,949	188,104	29,449	1,297,280
1972	870,276	668,864	245,495	36,736	1,821,371
1973	1,955,289	629,505	209,883	65,981	2,860,658
1974	1,217,363	398,355	165,676	56,788	1,838,182
1975	1,422,077	390,993	162,956	52,478	2,028,504
1976 ²	582,701	768,037	354,439	78,872	1,784,049
1977	1,556,996	609,036	276,027	35,996	2,478,055
Total	15,191,676	9,974,045	3,506,838	606,881	29,279,440

¹--- = no operations.²Cash refunded in December 1976 totaled \$1,500,000 (\$1,250,000 from feed and \$250,000 from hatchery) in addition to that listed.

fashion—at cost. These patronage refunds allocated and revolved to members have been significant benefits—in addition to the members receiving feed, poults, and other supplies as well as processing and other services at competitive prices.

The cooperative has been a pacesetter in many activities such as improving feed rations, strains of turkey poults, processing methods, etc., at prices to satisfactorily meet all competition in the area. It is

safe to conclude that had it not been for this cooperative and all its efficient services, most producers in the Sanpete County area would not be in the turkey business today. In fact, producers in several other areas of the State and Nation have gone out of business.

In trying to evaluate the financial benefits received by growers as a result of the cooperative, the author interviewed several producers,

Typical turkey flock in the Sanpete County, Utah area, 1975.



businessmen, and citizens of the area. The following comment from Evan N. Johnson, former board member and turkey grower from Manti, Utah, is typical:

I have been a turkey grower in Sanpete County since the beginning of the Moroni Feed Co. in 1939. I have watched the association grow and solve many problems confronting the turkey industry in this area. Were it not for efforts of producers working together to build a strong cooperative to provide necessary services in an effective manner, the industry would not have survived in this area. The cooperative has been and is today a vital force in the well-being of this area.

Another producer and former board member, Glen Anderson, had this to say:

The cooperative has been of vital importance to turkey producers in this area. It has provided the important services needed by producers which they could not have provided themselves on an individual basis. The turkey industry would not be here today without this cooperative.

Producer and board member Esle Christensen observed:

When it comes to marketing my turkeys, I'm entirely satisfied to let my cooperatives—Moroni Feed Co. and Norbest—take over the responsibility. The cooperatives' skilled and experienced employees in processing and marketing are far better prepared to do me good service.

Some of the younger members interviewed expressed the opinion that the cooperative had done an excellent job for producers, but they would like younger members on the board of directors and also a better geographical distribution on the board. Some would prefer a quicker turnover of capital from the revolving fund.

In general, all producers and businessmen of the area contracted by the author expressed themselves as pleased with the overall performance of the cooperative and emphasized the important economic force it has been in the community.

The rate of returns on members' equity tells members the rate of return they are receiving on the capital they have invested in the cooperative to provide services for the total membership. Frequently referred to as rate of "return on investment," this ratio indicates how well the members' money retained in the

cooperative is working for them. This ratio is computed by dividing total members' equity into annual net savings, expressed as a percentage.

Return on members' equity at selected 5-year intervals is seen in the following tabulation:

<i>Year</i>	<i>Percent on equity</i>
1950	37
1955	27
1960	32
1965	22
1970	32
1975	20

These figures for 5-year intervals show a very favorable return on members' equity. If members were to withdraw their capital from the cooperative, what would it earn elsewhere at similar risk? Some members may feel they would like to have their investment revolved more quickly, but the cooperative use of such capital is bringing favorable returns to membership capital in total, and greatly reduces the amount of operating capital which might have to be borrowed from the money market at high rates of interest.

Trends in Total Volume of Business

Table 6 shows the trend in total volume of business over the period 1939-1977. In the early years (1940's) the capacity of the feed plant and the processing plant did not permit a large volume of business. Later in the 1950's and especially in the 1960's and 1970's after the association became more integrated with feed, processing, hatchery operations, etc., the volume of business expanded significantly, resulting in lower unit costs.

It was not possible to compare operating costs of the Moroni Feed Co., with similar businesses in the area because most of these businesses were individually owned and are no longer in existence. However, the Moroni Feed Co., continues to expand and currently is by far the leading force in the turkey industry in Utah and the intermountain area.

At the close of fiscal year 1977, the cooperative had total assets of about \$15 million and member equity or net worth of \$11,839,000. This was an average equity of \$87,700 per member, or \$2.19 per turkey produced based on an average of 40,000 birds per member.

Table 6 —Total sales volume of all departments of Moroni Feed Co., fiscal years ended 1939-1977

Year	Total volume	Year	Total volume
	<i>Dollars</i>		<i>Dollars</i>
1939	111,586	1959	8,195,830
1940	80,640	1960	8,542,126
1941	226,923	1961	10,871,199
1942	380,744	1962	11,251,311
1943	522,874	1963	12,269,593
1944	550,781	1964	14,624,804
1945	776,868	1965	16,825,023
1946	537,833	1966	19,532,273
1947	924,430	1967	16,445,507
1948	1,299,206	1968	16,215,451
1949	1,385,927	1969	22,331,775
1950	2,555,827	1970	28,156,801
1951	3,471,240	1971	26,088,999
1952	2,200,941	1972	27,412,940
1953	2,290,596	1973	40,196,117
1954	2,085,211	1974	52,433,301
1955	5,235,690	1975	54,830,776
1956	6,687,415	1976	42,232,969
1957	6,402,847	1977	50,699,636
1958	6,196,638		

¹ This includes sales of whole bodied turkeys and turkey products for which no markup is taken.

Source: Official records of Moroni Feed Co.

DEVELOPMENT OF THE MARKETING PROGRAM

The early marketing program conducted by the cooperative was one of selling turkeys for cash to the highest bidder. "Track" or order buyers would usually come into the area and bid on the various lots of turkeys. Producers often did not know ahead of time how the turkeys were to be packaged or branded. Individual buyers consolidated their purchases and moved them to central markets or sometimes made sales on consignment. Prices often fluctuated widely.

Membership in Norbest

As the Norbest Turkey Growers developed, this federated cooperative sales agency came into the area to offer its services. In 1947, the Moroni Feed Co. began to compare sales through Norbest with those through other outlets. At first the cooperative allowed Norbest to bid on turkeys the same as other buyers. By 1952 all turkeys were being sold through Norbest. This federated cooperative sales agency has continued to market all the Moroni turkeys since that time. The Norbest brand, which stands for high quality of product, is now used on all "A" grade turkeys sold.

Norbest keeps in close contact with most market outlets such as chain stores, supermarkets, institutional users, and others in all parts of the Nation. This cooperative sales agency is composed of turkey-producing cooperatives operating in several States, from Oregon and California on the West Coast to Nebraska, Minnesota, Oklahoma, and Texas in the Midwest. It maintains sales offices in the largest cities throughout the Nation. Moroni Feed Co., became a member of this organization in 1948 and its manager became a member of Norbest's board of directors. The Moroni cooperative is presently one of the largest volume members.

Norbest, through its market contacts, negotiates the terms of trade, obtains price quotations and product specifications, and then notifies the market director of Moroni Feed Co., to supply the volume of turkeys to meet such specifications. Collections are made by Norbest and after costs of handling are deducted, the balance is remitted to the member cooperatives. Each member cooperative participates in the net margins of Norbest operations according to patronage. The board of directors of Norbest is composed of a director from each of the member cooperatives. The board chooses management personnel and determines major operating policies.

Consequently, the production, processing, and marketing of turkeys produced by members of the Moroni Feed Co. are handled on a cooperative basis all the way from the egg to wholesale and retail outlets.

Pooling Arrangements for Marketing Turkeys

Pooling is a distinctly cooperative practice. It means the comingling of products of several producers, usually on the basis of established grades, and after deducting average expenses, paying the average price received for some definite period. C. L. Christensen, an early leader in the cooperative movement, defined pooling as involving "two essential activities: (1) the mingling or grouping together under unified action or control of any function of production or marketing; and (2) the determination of the results of such group action and allocation to each participant in the pool of his share of the sales returns, service expenses, or risks that may arise therefrom."¹⁰

Pooling's purpose is to distribute equitably to all member patrons the results of group effort that cannot be attained by individuals acting alone.

As volume of turkeys handled began to expand and prices of turkey fluctuated widely from the beginning of the season to the holiday period and beyond, it became difficult to time killing and marketing operations to meet the special needs and personal preferences of individual growers.

The management found it necessary to develop pooling operations to iron out these fluctuations in price, and to establish more equitable treatment for the total membership and avoid special treatment for the few. Considerable educational work had to be done to get members to see the fairness and the importance of pooling operations for the success of the whole cooperative.¹¹

In developing adequate pooling arrangements, the Moroni management soon found that successful pooling depends upon:

1. Practicing careful grading of products;
2. Having proper length and timing of pooling periods;
3. Limiting pooling categories to proper sizes and types of birds;
4. Merchandising skillfully the products of each pool during the pool periods;
5. Timing pooling periods for specific types and size of birds to meet market specifications;
6. Instituting accurate accounting systems;
7. Allocating all costs correctly;

8. Paying according to grade and quality;
9. Financing the pooled products adequately;
10. Treating all areas and individuals equitably and impartially at all times;
11. Making final payments promptly.

Meeting the above requirements is a terrific challenge for management, and modifications or additions to these general requirements may become necessary in individual instances. The merits of any pooling plan may be judged (1) by the fairness with which each pool contributor is treated, (2) by the efficiency with which the total marketing program is effected, and (3) by comparing the expenses of pooling with returns received. The optimum is found, of course, by comparing marginal benefit with marginal cost.

Before definite pools and procedures were established, the management was often confronted with problems in efficiently using plant facilities and labor in killing operations. They also found it difficult sometimes to have the type of turkeys on hand to meet certain market specifications, such as hens, small toms, or large toms.

¹⁰Chris L. Christensen, "Pooling as Practiced by Cooperative Marketing Associations. (USDA Misc. Publ. No. 14, 1929).

¹¹In other cooperatives throughout the country, the attitude of growers toward pooling operations is often influenced by the character of the price level during the pooling period. For example, during a period of relatively stable prices, members would have little occasion to find fault with the average pool price. A few might be perturbed over the fact that the pool did not sell at higher prices, but generally little dissatisfaction would be encountered.

During a period of rising prices, most members would be satisfied with the prices finally netted by the pool and payable to the members. In such periods the average pool price is above the early season's price but below the highest prices. No doubt some growers would be certain that if they had not pooled, they could have held their products until the end of the season and then sold them at the season's high price. They fail to realize that if many producers had done likewise, prices would probably not have been lower earlier in the season and higher later. The attitude of members toward the cooperative is usually good during periods of rising market prices. Cooperatives then have few losses, their financial standing improves, and they are credited for the favorable price level.

The situation is quite different during a period of declining prices. Under such conditions, the pool's average price will be less than the season's early prices. Many producers are then confident that they should have sold their products early in the season when prices were high, and they cannot understand why the association did not sell any of its products soon after they were received. Nonmembers who sell at the higher prices of the season further add to the discontent of pool members by making known the higher-than-pool prices they received. Such problems create a trying period for the pool.

For example, during one day's kill and processing operations, the price of turkeys may be 42 cents. The next day the price may have gone up to 43-½ cents. If the price looks like it will still increase, producers want to hold back birds to gain higher prices. If this is allowed, the plant may have to shut down temporarily, while costs of idle labor and equipment climb. In the opposite situation, when the plant is running to full capacity, it may get behind in killing schedules and fail to satisfy individual grower preferences.

The market situation may develop where small toms or other type birds are needed to meet particular market specifications, but they bring a lower price. Who wants to produce them? Yet, the association needs to carry a full line of turkey sizes and grades if it desires to fill requirements of a stratified market.

The only practical way to meet some of these problems is to establish equitable pooling arrangements to spread risks to more growers. Thus, the cooperative principle of pooling was initiated with price incentives to gain participation so that production, processing, and marketing could be leveled out over a longer period and all members treated more equitably.

The procedure now followed by the cooperative is for all growers to meet about October 10-20 each year to review needs and problems and agree upon a marketing program for the ensuing year. This program is based upon careful analysis of past experience and projected market conditions as reported by market representatives.

Marketing personnel review possibilities and make specific recommendations for number and types of pools needed. Such recommendations are first reviewed by the board and then presented to all members so that their specific production plans may be developed accordingly.

About November 1 of each year, the producers assemble and draw numbers in sequence. They then place their individual orders with the cooperative hatchery for poults to fit into a prearranged killing schedule at the plant. Thus, the production and processing schedule is preplanned to fit into the general marketing plan.

At the time of this meeting, the price of poults is announced to the members. This price is determined by the board upon the recommendation of the hatchery manager. Members pay for the poults within 1 week of delivery. Otherwise, they pay

interest on indebtedness at 1-½ percent per month.

The killing schedule is planned ahead of and in close coordination with the hatchery schedule for poults, and efforts are made to lengthen out the production and processing operations so that gluts and shortages can be avoided in the processing plant. Processing is an expensive operation and a large proportion of the cooperative's fixed assets are tied up in plant facilities. The problem of keeping a qualified labor force fully employed is also important. Consequently, the more nearly they can operate to capacity without gluts and the larger the total volume that can be spread over a longer time period, the more efficient plant operations will be. Using the principle of pooling makes these operations more feasible and acceptable to producers. For example, one yearly pool may be established by grades A, B, and C for all turkeys under 22 pounds. Another pool may be for turkeys 22 to 26 pounds by grades for the whole year. Large toms usually bring the highest prices so a pool for turkeys 26 pounds and up may be established by grades within that weight range.

Another type of pool may be for all turkeys killed in July. Another for all killed in August and still another for those killed in September. Another pool may be set up for all birds not sold by January 1. These birds may go into a storage pool for a specific time period and cover all birds 26 pounds and up, or whatever set of specifications most nearly meets the conditions and marketing needs of the cooperative.

Another pool may be established to take care of the fresh market and consumer sizes just prior to Thanksgiving and holidays. A larger tonnage is being sold fresh now and special pools are established to take care of this business. For example, all turkeys that are put in the brooders as poults during June will usually come off the processing line in November. They will get 1 cent a pound over pool price as an incentive for production. All poults placed in July may get 2 cents over pool price. Poults placed during August may receive 3 cents over pool price. This is done to enable the cooperative to take care of the fresh market just before the holidays and to help producers pay extra costs of raising late turkeys. Fresh market birds usually bring a 4- to 5-cent premium over stored frozen birds.

Premium money obtained for fresh market birds may be placed in the consumer-sized bird pool (22

pounds and under) to provide for equitable treatment to members.

An advantage of pooling is that it spreads market risks. Farmers who possess the uncanny ability to always market their products at the top of the market may not like pooling. Most farmers, however, may be satisfied with a good average price and collective insurance at cost. With pooling, each grower does not try to cut the other's price. The competition is shifted to the buyers by the collective pooling arrangement and a much stronger strategic position in the sale of turkeys is achieved.

Another definite advantage of pooling is that management is able to merchandise the products according to a program it considers most desirable and one that can be planned with more precision in advance. Selling each member's products separately or buying for cash on delivery, with the necessity for immediate resale in order to avert speculation, does not permit much latitude in planning an effective sales program. Such necessities tie the hands of management.

Pooling also permits management to use more caution in placing and timing shipments to market and in developing new markets. No policy of orderly marketing is possible if everyone is free to sell locally or ship when and where he pleases. Such freedom leads only to disorganization. If cooperatives are to stabilize prices, pooling and centralized sales control on a large scale are absolutely essential. Through the pools operated by Moroni Feed Co., and the centralized selling through Norbest, great strides have been made toward improving turkey marketing.

Pooling also facilitates financing the cooperative's operations. Associations that pool usually make a partial payment to growers at time of delivery of products. The products in the pool then become security for loans obtained from banks in order to make the advance payments. Before large loans are made, the large banks and the Sacramento Bank for Cooperatives usually demand that the association have the right to pool its members' products and to pledge these as security. With this access to the central money markets, it is to be expected that a sound cooperative can obtain credit at lower rates than the individual farmer could if he were to finance the marketing of his own product over as long a period as that taken by the pool.

The pooling operations used by the Moroni Feed Co. have been a very important factor in the growth and success of this integrated cooperative. Without such operations to handle the complicated problems of seasonal turkey marketing, it is doubtful that the organization would be operating effectively today.

Effect on Market Prices

The development of the centralized marketing program now conducted through Norbest has had a stabilizing effect on market prices. Timing of shipments to markets and meeting the specifications of various types of markets throughout the country can be realized much better than when growers or even individual cooperatives are trying to sell in competition with each other. The wide swings that formerly occurred in turkey prices have been greatly reduced through better organized central selling.

Since the development of the large cold storage warehouse facility, it has been possible for Moroni Feed Co., to merchandise turkeys over a longer period of time rather than being forced to sell them as they are processed. Turkeys can be held for higher prices, and sales, therefore, can be much more orderly. The cooperative is also becoming more widely known as a place where turkeys and turkey parts can be obtained by consumers and institutional buyers on a year-round basis.

IMPROVEMENTS IN FARM PRODUCTION PRACTICES

The cooperative has been an important leader in encouraging improved farm production practices in all aspects of the turkey industry.

New Breeds and Strains of Turkeys

The association, in cooperation with several of the master turkey breeders, has sponsored continuing testing programs to determine the type and strains of birds that would be most economical to raise and those which would most nearly fit market specifications.

In 1951, Utah State University located a field research station at Snow Junior College within Sanpete County to conduct breeding and turkey management research. The association has cooperated closely with this research program from the beginning. At this field station tests are run each year in 10 or 12 different turkey strains. Eggs are

furnished by the master breeders such as Orlopp and Nicholas farms in California. These strains of turkey are tested for such factors as rate of growth, feed conversion, livability, hatchability, meat yield, and grade.

The best results achieved from these tests are adopted by the association which implements programs to put them into operation by producer members.

In the beginning days of the cooperative, the bronze turkey was the most important type grown. Currently, all of the members are producing the all-white strains developed by Orlopp Master Breeders of Orosi, Calif. These birds were properly field tested and seemed best suited to local conditions and market demand. The big change from bronze to white birds came about largely because of market demand. The white turkeys eliminate the problems of black pin feathers and skin coloring and more nearly meet market specifications. Field tests continue annually to keep the cooperative's members abreast of new developments important to their industry.

Feeds and Feeding Practices

In the early growth period of the cooperative, close cooperation and consultations were maintained with nutritionists and other representatives of Utah State University in developing turkey feed rations for best development of turkeys through the various stages of growth.

In more recent years, as linear programming and newer computerized methods developed, the cooperative has retained the consulting services of Dr. Herbert Wilgus, an outstanding poultry nutritionist who is associated with a prominent firm of New Jersey. Under Dr. Wilgus' supervision, feed formulas are run through the computer three or four times per year to update rations to obtain most efficient growth of birds at the most economical cost.

At least two conferences are held annually with Dr. Wilgus and nutritionists from universities to analyze and get a consensus concerning industry feed problems. Results of these discussions are applied in the feed operations of the cooperative, and growers adopt these recommendations without any objections.

The milling operations are always run to mix and blend the feed ingredients according to suggested rations so developed. Producers seem well satisfied.

Buildings and Equipment for Producers

The association officers have encouraged growers to develop and improve brooder houses, other on-farm buildings, and feed trough equipment that would contribute to more successful handling of turkey poults, feed, and overall management. They have sponsored many field trips to other States to observe buildings, equipment, and methods which could be adapted or improved upon at home.

A major step in improving efficiency of handling feed, both at the feed plant and on individual farms, was the shift from sack to bulk handling. Enterprising farmers in cooperation with local mechanics built 8- to 9-ton truck tanks on single-axle trucks to haul the feed from the feed plant to individual farms. Each turkey farmer has his own truck or arranges for one to come to the cooperative feed plant to pick up his feed in bulk. The feed is then augered out mechanically at the individual farms. This eliminates construction or ownership of farm feed bins by individual growers.

The prize of the flock—Sanpete County, Utah.



Instead, they can come to the central mill as often as they need feed. The system also eliminates labor and maintenance costs at the cooperative, which need neither own nor schedule feed trucks to members.

This feed delivery system is unique to the turkey industry in the United States. It was developed to promote overall efficiency and was made possible by the fact that most of the producers are within 25 miles of the feed plant. In the beginning phases of the shift to bulk handling, producers were given price incentives to make the switch. Currently, practically 100 percent of the feed business is done in bulk. Some exceptions are made for some patrons who want to purchase a sack or two of feed for livestock other than turkeys.

As the business volume grew, changes were made in bulk handling equipment and in farm buildings and equipment. Now the equipment and facilities are fairly well standardized both at the central plant and on the farms.

Maintenance of Quality of Products

Every reasonable effort has been made by the cooperative and its members to develop and maintain satisfactory standards and quality of product to meet all State and Federal specifications as well as market specifications and demands.

Five Government inspectors and five graders are usually stationed in the processing plant to see that all standards are met. All Government regulations relating to pesticide or drug residues are complied with and continuous inspections ensure that all sanitary requirements are met.

All of the processed birds are graded and packaged to meet U.S. grades and packaging requirements of Norbest Turkey Growers. This cooperative sales agency competes with other turkey marketing agencies throughout the Nation and the world, and naturally strives to keep the quality of product very competitive to meet market requirements.

The processing buildings and equipment in all departments are continually modernized to fit the needs. Killing lines and other handling equipment are remodeled almost annually to keep operations moving smoothly.

After birds are processed and packaged, they are moved on conveyor belts into the quick freezer where they are quick frozen and then placed in the cold storage warehouse where they are stored at

temperatures which preserve the quality until they are sold through various market channels.

ASSISTANCE TO YOUNG FARMERS AND OTHERS

Financing of New Growers

The association has developed a financing program mainly to assist young growers get started in the turkey business and also to help other growers not able to get financing from other sources. This is known as the "70-30 finance program," a plan for sharing profits with producers. To qualify, a grower must make a loan application to the board of directors. If after careful consideration, the board decides the grower is a "good risk," he is accepted on the profit-sharing plan. This allows new growers to get into the turkey business without much initial capital. It works as follows:

The cooperative supplies, at no interest, the feed, the turkey poults, the fuel, the medication, litter for brooding, and insurance. The grower supplies the labor, land, equipment, and operating expense money. At the end of the season after turkeys are processed and sold, the cooperative deducts all charges for feed, poults, and supplies furnished, and the net profit balance is shared, 70 percent to the grower and 30 percent to the cooperative. If there are losses on inputs from the association, they are absorbed by the association. The grower absorbs his own losses of labor and other inputs he provides. Each year the operations begin with a clean slate.

This "70-30 finance program" has been valuable in several ways. It:

1. Helps recruit new growers to help expand volume and perpetuate the cooperative's business;
2. Helps back up the hatchery operations to utilize any surplus production of poults;
3. Helps level out production and improve operating efficiency in all departments;
4. Helps provide a training ground for new producers and second generation members so vital to any cooperative;
5. Allows the cooperative to build up a tax-paid reserve fund to cover any possible financial losses from assisting growers in this manner.

This "70-30 financing program" coupled with the management counseling service is one of the great strengths that keeps the Moroni Feed Co. growing. New members can enjoy the facilities and know-

how of the cooperative with a nominal output of capital to get started in the turkey business.

Table 7 shows that the number of turkeys financed under this program increased significantly in the later 1970's. In 1954, 20 growers were financed; in 1977 the number was 45. More than 60 percent of all growers financed during this 16-year period were young farmers.

Management Counseling

To assure success to the new grower, as well as to all members, the cooperative provides a management counseling service. Part of this service is consultation from the association's Veterinary Laboratory under the direction of Dr. Royal Bagley and Dr. John Ramsay. Advice on disease control, nutrition, and proper husbandry practices are freely given to assist all growers. A full-time field service man in addition to the veterinarians also helps producers.

Credit Policy for Producers

The cooperative has followed a rather conservative policy in extending credit to producer members. All accounts receivable are carefully reviewed to see that they are kept current. The general credit policy is as follows:

1. Any nonmember buying products through the association pays cash.
2. Credit extended to members is very short term. Accounts are reviewed almost weekly and collections made promptly.

3. All members who wish credit extended to them must have certificates of interest or equity in the association to back up their outstanding accounts.
4. Before any certificates of interest are revolved or paid out, all accounts receivable are reviewed and those members having outstanding accounts will have such accounts deducted from their revolving fund patronage refunds.
5. Two weeks prior to the end of each fiscal year, managers of all departments have the responsibility for reviewing and collecting all outstanding accounts payable to their department. This is an effort to keep each year's business current.
6. The controller of the cooperative is also the credit manager and must be consulted before any new accounts are opened.

This credit policy is understood and accepted by all members. Each member is treated the same. So far, the policy has worked very well. According to management, it has been necessary to write off no more than \$25,000 in bad debts during the entire 40-year operation of the cooperative.

The Moroni Feed Co., has a very good (AAA) rating with Dun and Bradstreet, which it has maintained for many years. All accounts payable invoices are paid promptly, with many discounts received for punctual cash payments.

Some members obtain financing from the local Production Credit Association and use their equities in the revolving fund of Moroni Feed Co., as security.

Table 7 —Number of turkeys financed under the 70-30 program by Moroni Feed Co., for selected years¹

Year	Turkeys financed	Year	Turkeys financed
	<i>Number</i>		<i>Number</i>
1954	34,216	1970	283,402
1955	58,102	1971	339,239
1956	78,700	1972	257,566
1957	71,400	1973	406,905
1958	80,100	1974	451,750
1959	98,600	1975	¹ 687,450
1960	135,550	1976	779,360
1961	198,300	1977	828,839

¹Estimated.
Source: Official records of Moroni Feed Co. Date not available for 1962-69.

BENEFITS TO THE COMMUNITY AND TRADE AREA

The whole tone and spirit of the Sanpete community and surrounding trade area has greatly benefited from the successful operation of the Moroni Feed Co. The following information plus testimony of individual citizens in Moroni and in other towns throughout the county illustrate the contributions of this local cooperative to the economic welfare of the entire trade area.

Persons Employed and Payroll

Considerable employment is given to seasonal and full-time employees as well as to farmers who produce the turkeys and hire additional help on farms during peak labor periods.

Table 8 presents the number of full-time and seasonal employees hired by the cooperative and the wages paid for the period 1950 through 1977. It may be noted that the number of employees increased from 59 in 1950 to 1,100 by 1976-77. This, of course, resulted from the expansion in volume of turkeys raised, construction of new processing and hatchery operations, and overall expansion of activities. Wages paid annually increased from \$114,000 in 1950 to \$3,368,000 in 1977, an increase of thirtyfold. Wage rates usually have been above the required minimum rates.

Obviously, employment opportunities for local county residents, both men and women, have increased tremendously as a result of the cooperative's expansion. It has also become necessary to recruit labor from outside areas, including Mexicans and other minority groups, to fill labor requirements during peak operations. Many more people have been employed on a more permanent basis as the cooperative has expanded operations through vertical integration to provide more services to members.

The great increase in payroll coming into the county in recent years has provided considerably more local income which is spent for goods and services within the county and surrounding areas. Both local merchants and city and county officials testify to the economic benefits derived from the operations of this association. The multiplier effect is felt throughout the county.

Taxes Paid

Table 9 shows the different types of taxes paid by the cooperative from 1940 through 1977.

Property taxes have increased from \$318 in 1940 to more than \$65,000 in 1977. Corporation income taxes increased from \$2,371 in 1953 to over \$97,000 in 1977. State corporation franchise taxes increased over 90 times from \$100 to \$9,490, and payroll taxes paid for Social Security multiplied from \$767 to over \$285,000. This tremendous increase in

Table 8 —Numbers of employees hired and wages paid by Moroni Feed Co. 1950-1977

Year	Employees hired ¹	Wages paid
	<i>Number</i>	<i>Dollars</i>
1950	59	113,850
1951	312	239,635
1952	250	157,966
1953	304	216,342
1954	209	266,149
1955	345	314,661
1956	354	355,635
1957	(2)	305,474
1958	383	418,354
1959	(2)	329,418
1960	(2)	334,100
1961	(2)	453,919
1962	406	621,112
1963	485	685,195
1964	(2)	717,051
1965	(2)	836,744
1966	(2)	1,049,725
1967	(2)	1,120,148
1968	787	1,130,331
1969	988	1,440,704
1970	(2)	1,759,944
1971	(2)	1,928,679
1972	(2)	1,946,969
1973	(2)	2,281,899
1974	(2)	2,251,385
1975	(2)	2,629,046
1976	1,100	3,132,775
1977	1,100	3,368,636

¹Numbers of individuals hired during the year.

²Figures not available.

Source: Official records of Moroni Feed Co.

Table 9 — Taxes paid by Moroni Feed Co., 1940-1977

Year	Property taxes paid	Corporation income tax	State corporation franchise tax	Payroll taxes (Social Security)
<i>Dollars</i>				
1940	318.84	NA	NA	NA
1941	852.35	NA	NA	NA
1942	556.45	NA	NA	767.21
1943	686.32	NA	NA	733.61
1944	748.50	NA	NA	601.11
1945	931.79	NA	NA	1,429.15
1946	986.31	NA	NA	909.44
1947	748.50	NA	NA	785.01
1948	480.64	NA	NA	681.17
1949	1,492.88	NA	100.12	609.89
1950	2,223.53	NA	274.22	1,833.21
1951	2,799.33	NA	312.66	3,594.53
1952	2,959.24	NA	204.56	1,181.32
1953	3,604.03	2,371.81	301.12	3,247.25
1954	3,451.09	1,441.45	214.68	5,104.61
1955	4,881.62	3,489.48	248.89	6,137.16
1956	4,841.62	4,948.81	197.61	9,392.20
1957	4,454.40	4,708.26	400.00	10,778.23
1958	6,126.71	6,932.77	420.52	14,255.72
1959	7,030.61	8,385.96	968.59	15,335.05
1960	9,068.69	19,236.46	524.96	15,443.33
1961	9,069.42	14,484.46	759.36	18,306.20
1962	10,325.91	28,871.64	1,386.26	23,379.50
1963	11,019.83	18,969.42	1,018.41	29,993.84
1964	14,007.34	16,950.62	1,523.09	37,744.32
1965	20,836.36	17,524.40	1,368.21	42,405.93
1966	27,761.22	33,482.70	2,369.65	62,833.07
1967	45,972.61	44,517.22	3,294.93	68,674.40
1968	66,300.29	49,876.00	1,503.00	71,518.97
1969	57,153.11	37,615.00	3,052.00	93,670.21
1970	59,993.56	51,822.00	3,083.00	113,515.76
1971	59,690.00	32,888.00	4,206.00	131,059.00
1972	68,962.00	46,482.00	3,338.00	133,054.00
1973	63,901.00	29,298.00	4,317.00	179,338.00
1974	65,526.00	13,957.00	4,054.00	172,953.00
1975	56,311.00	82,492.00	7,375.00	201,721.00
1976	64,734.84	66,541.00	6,807.00	254,511.27
1977	65,101.32	97,250.00	9,490.00	285,446.83

NA = Not available.

Source: Official records of Moroni Feed Co.

various taxes paid has contributed much to providing government services on local, State, and national levels. In fact, the cooperative is now the largest taxpayer in Sanpete County with the exception of the utility companies and the railroad.

Utilities, Supplies, and Equipment Purchased Locally

Utilities, supplies, and equipment needed by the cooperative are purchased locally whenever possible. Electric power and water are purchased from local utility companies. Some grains and feed ingredients are purchased locally or from neighboring counties when the items meet the cooperative's specifications. The cooperative furnishes a year-round market for farmers who have feed grains to sell.

Equipment used on individual farms is often purchased or remodeled locally to fit special needs of producers. All of these local purchases and business activities to county economic activity.

Comments from Local Citizens

Interviews with local bankers and businessmen emphasize the great influence that the cooperative has on economic activity throughout the trade area. Rawlin V. Jacobsen, president, Bank of Ephraim, said:

The Bank of Ephraim has helped to finance turkey producers in this area from the start in 1940. This has been a good business for us. If the income which the turkey industry brings into this county were lost, heaven help us. When turkey producers make money, the businessmen in our towns make money. The automobile dealer, the furniture store merchant, the clothing stores, and all such businesses rely heavily on income generated by the turkey industry in this county. Bank deposits and banking activity are greatly influenced by what happens to turkey production and markets. The cooperative also is very beneficial to this area in furnishing feed and other farm supplies to farmers other than turkey growers, such as dairymen, cattlemen, and sheep producers. The whole agricultural community is greatly benefited by the operation of the Moroni Feed Co.

Mr. Jacobsen mentioned that much credit is due those early leaders of the turkey industry who established the cooperative and worked so hard to make it succeed. He had high praise for the efficiency in management and the great contribution the cooperative has made in furnishing employment for

several hundred local people who would have to seek employment elsewhere were it not for the cooperative.

Gerald C. Drew, assistant vice president and manager of the Utah-Arizona branch office, Sacramento Bank for Cooperatives, pointed out that:

This cooperative has had excellent management and its financial affairs are in fine shape. It is rendering very valuable service to turkey producers and other farmers of Sanpete County. The multiplier effect of the business operations of this association generates millions of dollars of new wealth for citizens of the county. Turkeys are sold in California and many other areas of the nation, bringing new wealth to the area which, without this cooperative, would be severely strained economically.

Mr. Drew periodically meets with the management of Moroni Feed Co. to review its short and long-term financial needs. He said that this cooperative is one of the highly valued stockholder-customers of the Sacramento Bank for Cooperatives, and that its operations are conducted in a truly cooperative and highly efficient manner.

Victor J. Rasmussen, manager of the First Security Bank at Mt. Pleasant, Utah, had previously studied the cooperative's operations. He observed:

The economic impact of the Moroni Feed Co. has been very great upon the whole county. It has provided employment and income not only for turkey producers but for hundreds of students, housewives, and others on a full- and part-time basis. It has assisted many students to earn money to go on to college. It has helped many women in the area to obtain seasonal work in the processing plant. The combined employment furnished has provided income which has been spent locally to increase business for auto dealers, furniture stores, dry goods stores, grocery stores, and nearly every business in town. Many new homes have been built and others remodeled as a result of income from the turkey business. Were it not for the business activity stimulated by this cooperative, business throughout the county would suffer greatly.

By adding to farm income and other economic activity, the Moroni Feed Co., has set off a chain of healthy business activity as farmers, employees, and other rural people spend money for goods and services, pay taxes and otherwise contribute financially to their hometown economies.

Through this vertically integrated cooperative, the family farmers in the area can compete with the giant

enterprises growing out of the vertical integration of agriculture. They are in much better position to do business, get supplies and services, and find better markets.

Community Projects Sponsored or Supported

The Moroni Feed Co. has been very active in supporting Future Farmers of America (FFA) and 4-H projects among the youth and young farmers in the community. FFA youth have won five Youth Achievement Awards offered by the National Turkey Federation in the last 5 years. FFA and 4-H members are candidates for the “70-30 financing program.” Several have taken advantage of this opportunity.

Many youth exhibitors are encouraged to compete in the Annual Utah Turkey Show, exhibiting birds and explaining production practices used in raising them.

The association has also sponsored several youth in public speaking contests on cooperative subjects. The winners have been sent to annual sessions of the American Institute of Cooperation to participate in youth activities. When they return to their home communities, they relate experiences to build up interest in local cooperative activities.

Utah State University, Snow Junior College, and the Utah Turkey Marketing Board sponsor an Annual Turkey Short Course at Ephraim for all turkey growers of the western area. This short course features speakers, exhibits, and demonstrations on subjects pertinent to turkey production, disease control, marketing outlook, and other topics of interest to producers. The Moroni Feed Co. was instrumental in starting this short course and has been a staunch supporter every year since. The cooperative also furnishes key personnel as speakers, and birds and equipment used in the course. This annual course has helped inform growers of new practices and methods affecting their industry.

The cooperative has sponsored field trips for its growers and youth to various parts of the State and Nation to observe activities and projects which would benefit growers. Many of its board members, key personnel, and turkey growers have attended turkey conventions and special meetings in various parts of the Nation and even abroad to observe new techniques and procedures that might be applied in the local cooperative and producing area. Several of

the innovations and improvements in the processing plant, the hatchery, and other facilities have resulted from such educational field trips by personnel who came back and applied what they had learned.

The cooperative has actively supported Little League baseball and other sports activities for youth in the Sanpete County area. The current president, J. Howard Blackham, led in establishing the first lighted baseball field in central Utah for youth and he managed it for several years.

The association has always supported civic projects to improve local conditions. Sometimes this has been with cash donations and sometimes with use of equipment or facilities, depending on the needs.

The Moroni Feed Co. annually contributes to the local hospital, the Snow Junior College scholarship fund, and to other community activities.

Each year at the annual meeting of the cooperative, a large banquet and entertainment for all members and their wives includes many townspeople and special guests, county officials, industry leaders, and prominent citizens. This affair is one of the largest events in Sanpete County and has done much to promote community spirit and understanding of cooperative objectives.

EXAMPLES OF LEADERSHIP DEVELOPMENT

Although each community and each situation is different, the development of a successful cooperative can be traced to energetic and devoted leadership. The Moroni Feed Co. has had wise and dedicated leadership from the start, both in its board of directors and its key management personnel.

The way in which a board of directors assumes its responsibilities determines in large measure the character of the cooperative. If the board is active and capable, this tends to bring about a proper balance between members, board, and manager. If the board is indifferent, the manager probably will take over most of its functions, resulting in a “one-man” organization with a rubber stamp board. The Moroni Feed Co. has used a well balanced team approach involving management, directors, and members to solve its problems. The general formula as stated by Ralph Blackham, general manager for many years, has been:

1. Assembling facts, analyzing these facts, and planning procedures by management.
2. Obtaining advice from specialists where needed.
3. Adjustments and approval by board of directors.
4. Discussion and recommendations by membership. This procedure has proven effective in the development and growth of this fully integrated cooperative.

Leadership activities have not been confined to the cooperative. Key personnel and directors have held leadership positions in many community, State, and national organizations. These activities have supplemented and complemented each other to benefit both the cooperative and the community.

Some of the major leadership activities engaged in by personnel and directors during the last 35 years are shown in table 10.

The board of directors has had relatively small turnover since its organization in 1938. The original

board consisted of five individuals: Marion D. Jolley, Leo Morley, Jack Olson, George Faux, and N. C. Estes. Since the formation of the first board, the following individuals have served as directors: J. Howard Blackham, Ray Seeley, Ray S. Tanner, Evan M. Johnson, Clifford Blackham, Howard Willardson, L. Glen Anderson, Rex Kellett, Joseph Prestwich, Lewis Blackham, O'Neil Larson, James Christensen, Esle Christensen, Spafford Sumsion, Clyde Hollenbeck, and Eldon Westenskow. All have been from Sanpete County. Two members, J. Howard Blackham and Eldon Westenskow, currently chairman and secretary, respectively, have served continuously since organization of the first board. A total of 21 individuals have served on the five-man board of directors over a period of 40 years, 1928 to 1978.

Most of these men have been leaders in their respective communities and in various civic and church organizations. The directors and key management personnel have participated widely in meetings of trade organizations, and in workshops

Table 10 —Leadership activities of management personnel and directors of Moroni Feed Co., 1943-1978

Type of position held	Number of positions held by	
	Management personnel	Co-op directors
County Commissioner	2	2
President, Local Lions Club	2	1
President, Utah State Turkey Federation	1	1
Member, Board of Trustees, Utah State University	1	0
Director, Utah Power and Light Co.	1	0
Director, Norbest Turkey Growers Association	1	0
Director, Utah Council of Farmer Co-ops	1	2
Local Church Leaders—L.D.S. Bishops	2	3
Director, Local Soil Conservation District	0	1
President, American Assn. of Avian Pathologists	1	0
Director, Intermountain Health Care, Inc.	1	0
Member, local school board	1	1
Member, City Council	0	2
President, Utah Manufacturers Association	1	0
District Superintendent of Schools	0	1
Local high school principal	0	1

and conferences sponsored by the Utah Council of Farmer Cooperatives and the Sacramento Bank for Cooperatives to help directors and management with accounting procedures, directors' responsibilities, long-range planning, etc. These activities have helped upgrade personnel performance and kept the cooperative aware of new developments affecting its welfare.

In 1963, the Distinguished Service Award Trophy for industrial achievement was awarded to the Moroni Feed Co. by the Salt Lake City Chamber of Commerce, and was presented by the Utah Committee on Industrial and Employment Planning.

The management has demonstrated considerable foresight in developing good public relations by sponsoring tours of special interest groups, student groups, and businessmen through plant facilities to give the public first-hand information about the cooperative and its benefits to the trade area. The association also has sponsored special tours of county bankers and Farm Credit Administration and other credit officials to acquaint them with financial needs of growers and what the cooperative's activities mean to the economic welfare of the area.

The opportunities the Moroni Feed Co. has given local people for leadership development have strengthened democratic action throughout the county, encouraging individual initiative in an atmosphere of community responsibility. The association and its leaders have demonstrated that, working together, farmers can build a stronger rural economy that provides jobs, increased income, and better economic and social conditions for an entire county.

FACTORS CONTRIBUTING TO SUCCESS

Several important factors have contributed to the successful operations of the Moroni Feed Co. The most important are:

1. There was a definite economic need for the cooperative at the time it was organized. During the 1930's, depression had taken its toll, the sugar beet industry in the area had failed, and new sources of income were badly needed in the county. Early experimentation with turkeys indicated that cooperative effort would pay off.

2. The cooperative developed slowly but soundly, after adequate educational work had been

done. It was organized on a sound legal basis and management followed approved business methods and practices.

3. There is considerable homogeneity of membership. Members live in a contiguous area where it is easy to get meetings organized and keep members well informed and responsive to the objectives and needs of the cooperative.

4. Members are practically all of one religious faith (Mormon), and they enjoy a rich pioneer heritage of working together to solve common problems.

5. Vertical integration of all major functions important to the cooperative was accomplished slowly and soundly by the management. The coordination of breeding farms, turkey hatchery, feed purchasing and mixing, disease control and efficient field service to members, service station operations and farm supplies plus turkey processing, cold storage, and cooperative marketing—all integrated under one management, is perhaps the most important reason for success of the cooperative today.

This integration process ties members to the cooperative to obtain their poults and feed, process their turkeys, service disease control, and furnish marketing and almost all other services necessary to an efficient turkey industry. Such an integrated system provides for better planning of all important operations throughout the cooperative, assures more volume, and allows for better efficiency in all operations. It also provides for more orderly processing schedules and marketing.

Operating under an integrated cooperative system, producers participate in the net margins earned at each important step in total operations, and they reap the patronage refunds from savings in the total integrated operation in accordance with volume of business done by each patron.

The integrated system assures volume for the processing plant. With the hatchery schedule coordinated with the processing schedule for the appropriate number of weeks later, gluts and shortages at the processing plant are avoided and more even flow and efficiency are obtained throughout the whole process.

6. The cooperative has a close working relationship between managers, board of directors, and members. They work as a team, each performing separate responsibilities. The fact that most members live close to headquarters makes it



Members and friends enjoying annual banquet—1976.

possible to hold meetings frequently and whenever necessary. This simplifies member relations problems and helps keep most of the membership well informed.

7. The management of the cooperative has been willing to investigate and test new ideas which would improve turkey production methods or plant efficiencies. Both management and members have participated in many educational meetings, tours of other production areas, etc. to learn methods which would keep them abreast of problems in the industry. They have not been "hide bound" by the past, but willing to innovate for improvements.

8. The cooperative has fostered good public and community relations by sponsoring tours through its cooperative facilities and supporting many types of community projects and activities. This has paid off by support given the cooperative by the general public throughout the county and State.

9. The association has followed a sound credit policy with members and other patrons which has prevented any serious losses. The "70-30 financing program" conducted by the association has helped many growers enter the turkey business and has provided new young growers with opportunities for expansion. This program also assures perpetuation of membership and volume in the cooperative.

10. The fact that the cooperative has followed a sound financial program during its existence has

made possible the redemption of patronage refunds to patrons each year on a 5-year revolving basis. Patrons have learned to rely on these refunds each year, and it is a good sign of success of the cooperative.

11. The system used by the cooperative in supplying feed to patrons is unique. Feed trucks are not owned and furnished by the cooperative, but each patron comes to the feed plant to obtain his own feed as he chooses. This system reduces cost of truck maintenance, etc., by the cooperative and expedites feed handling to members according to their particular needs.

12. The cooperative, as it now operates, has developed an adequate volume of business to provide relatively good bargaining strength in feed procurement, processing of product, and selling effectively to the trade. Additional volume, of course, will add to this bargaining strength.

13. The cooperative has followed a sound financial program from the beginning. Loans were obtained from the Sacramento (formerly Berkeley) Bank for Cooperatives for major plant expansion or renovation, but all other financing came from net margins of the cooperative.

14. In the final analysis, the success of the cooperative has been a result of close working relations between management, directors, and members, utilizing sound cooperative principles and efficient business management practices.

Farmers in many other areas of the country should benefit greatly by adopting many of the sound principles, policies, and practices followed by Moroni Feed Co.

CHALLENGES IN LONG-RANGE PLANNING

Planning is a continuous process within any cooperative. It requires periodic appraisal in light of economic, technological, and competitive conditions. Planning is dynamic, constantly dealing with internal and external business forces affecting the ability of the cooperative to carry out its plans once they are made.

The management and board of directors of the Moroni Feed Co. have done a good job of planning in the past. Their efforts have yielded efficient plant facilities, sound business organization, and effective services for members. The first generation of management and members is now somewhat older; some original members no longer grow turkeys and the general manager, who served so well for 40 years, has now turned the reins over to his successor.

Several new and younger members have entered the business recently. Although they are very enthusiastic and efficient producers, some of their ideas may not have met the tests of time and sound experimentation experienced by the first generation membership. Some of the older members may be too conservative and some of the younger new ones may be a little too anxious to see significant changes made in policies and operations.

A significant challenge for the management will be to compromise these two important points of view and continue to follow sound operating practices in the future designed to meet the conditions that arise.

Some of the most important problems or challenges faced by the association are:

1. The need to expand year-round production of turkeys to even out the flow so that more efficient use of plants, equipment and labor can be realized. The annual capacity of the present processing plant and equipment is 60 to 70 million pounds. The cooperative is now handling about 40 million pounds. Increased tonnage would reduce costs per unit.

If year-round production is to be expanded, more producers must be encouraged to brood poulters earlier in the winter and later in the fall, as

well as more in summer months, so as to obtain more regular flow through the processing plant throughout the year. Such seasonal expansion will require more capital for producers for use in:

- (1) Insulation of brooder houses in winter
- (2) More air-conditioning in hot weather
- (3) More mechanization *
- (4) Avoidance of disease problems
- (5) Tightening up husbandry problems.

Solving these problems will require close cooperation and planning by management and producers so that equity may be maintained among members producing at different times of the year under different cost conditions. Careful studies may need to be made to determine how to implement these operations.

2. As inflation continues to have greater impact on agriculture and all types of business operations, careful attention must be given to capital requirements for the next 5 years. Will the plans provide for enough capital to modernize plant and equipment, and at the same time continue the 5-year revolving fund program which has been so successful in the past?

Is the cooperative presently overcapitalized? With inflation pressing on growers, is it possible or wise for the cooperative to have less growers' money in the revolving fund and use more borrowed capital? What is the proper ratio of equity to indebtedness?

These are all important questions that need careful study and consideration by management and the board as they look into the future.

3. Some of the most critical decisions that face a manager and board of directors are found in planning for expansion. These decisions frequently influence the earning ability and financial condition of the cooperative for years in the future. A poor decision to acquire or construct additional facilities can tie up working capital, increase expenses, and hamper future growth.

On the other hand, failure to expand at the proper time can be just as costly. Acquisition or construction of additional facilities often results in greater volume throughout all segments of the operation. This has the effect of spreading the association's fixed costs over a broader base and ultimately means lower per unit costs, resulting in

increased savings for the farmer.

The managerial decisions made in the past in this regard have proven to be very beneficial for the cooperative. Now that the cooperative is fully integrated from turkey hatchery to finished bird marketing, it may be more difficult to discover and finance improvements that will yield highly significant results. Nevertheless, efforts should still be made by management to make improvements whenever possible. This is the constant challenge of long-range planning.

4. It may be desirable for management and the board to initiate special studies to ascertain the return on investment received from each of the major segments or departments now operating. This can be done by dividing the net savings obtained in that department by the total investment in the department. Such careful analysis may give clues as to where expansion or adjustments should be made to improve net returns.

Business planning is a necessary ingredient for the success of any company. It is the conscious determination of courses of action designed to accomplish desired objectives. It must be engaged in as a team, with management, directors, and members each carrying out their responsibility.

SUMMARY OF BASIC SERVICES PROVIDED BY MORONI FEED CO.

The following basic services were provided to turkey producers and other farmers in the area in 1978:

Production Services

1. Supplying of turkey poults obtained from cooperative-owned and operated breeding farms and hatchery to meet production schedules required by producers.

2. L.P. gas for use in turkey brooders provided from cooperative-owned service station.

3. Starting mash and growing mash for turkeys as needed to bring turkeys to market weight; and other types of feeds for dairy, poultry, and other livestock as may be required by growers—manufactured in own mill.

4. Feather meal for livestock and export—made in own by-products rendering plant.

5. Diagnostic laboratory service for disease identification and control.

6. Field service to producers including veterinary service and advice on disease control, feeding problems, flock management, and other production problems.

7. Research results and recommendations on breeds and strains of turkeys, feeds and feeding practices, buildings and equipment for most effective management, and maintenance of quality of product.

8. Service station supplies and services required by producers such as gasoline, oil and lubrication services, auto parts, tires and repairs, farm machinery, tractors, and other services.

9. General farm supplies, hardware, appliances, fertilizer, and other items.

Marketing Services

10. Processing of turkeys for market, including slaughter, dressing, and packaging.

11. Freezing and cold storage of turkeys for orderly marketing.

12. Further processing department for cutting up and boning out turkey parts such as breasts, wings, turkey franks, smoked turkey, bologna, etc.

13. Marketing of turkeys on year-round basis, including pooling operations to equalize risk and provide equitable treatment for all growers.

14. Greater stability of prices through more central control and orderly marketing.

General Services

15. Financial assistance to young farmers and others to get started in the business through the cooperative's "70-30" program.

16. A sound credit policy and program for all members.

17. Representing the producer as the voice of the turkey industry in all types of public meetings with Federal, State and local government agencies and other groups.

18. Promoting and sponsoring activities to improve conditions for the turkey grower and the community in general.

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Farmer Cooperatives in the United States. Cooperative Information Report 1, Sections 1, 2, 5, 12, 13. 1978. Others to be issued.

Farmer Cooperative Publications. Cooperative Information Report 4, 1979. 41 pp.

For copies write: Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, Washington, D.C. 20250.

COOPERATIVE PROGRAM
U.S. Department of Agriculture
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.